

Monroe Raw Water Intake Partnership
(a joint venture between the City of Monroe, Michigan and
Frenchtown Township, Michigan)

Financial Report
June 30, 2008

Monroe Raw Water Intake Partnership

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Independent Auditor's Report

To the Governing Body
Monroe Raw Water Intake Partnership
Monroe, Michigan

We have audited the basic financial statements of Monroe Raw Water Intake Partnership (City of Monroe, Michigan) as of and for the year ended June 30, 2008. These financial statements are the responsibility of the management of Monroe Raw Water Intake Partnership. Our responsibility was to express an opinion on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monroe Raw Water Intake Partnership as of June 30, 2008 and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

November 12, 2008

Monroe Raw Water Intake Partnership

Management's Discussion and Analysis

Our discussion and analysis of Monroe Raw Water Intake Partnership's (the "Partnership") financial performance provides an overview of the Partnership's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Partnership's financial statements.

Statement of Net Assets/Statement of Changes in Net Assets

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	2008	2007
Assets		
Current assets	\$ 526,618	\$ 440,630
Capital assets	5,053,206	5,158,886
Total assets	5,579,824	5,599,516
Liabilities - Current - Accounts payable	22,704	56,844
Net Assets		
Investment in capital assets	5,053,206	5,158,886
Unrestricted	503,914	383,786
Total net assets	<u><u>\$ 5,557,120</u></u>	<u><u>\$ 5,542,672</u></u>

The Partnership's net assets increased .3 percent from a year ago, increasing from approximately \$5,543,000 to \$5,557,000 due to interest received on investments.

Monroe Raw Water Intake Partnership

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the year ended June 30, 2008 as compared to the prior year:

	2008	2007
Revenue		
Raw water billings	\$ 342,807	\$ 350,634
Investment income	14,449	13,609
Total revenue	357,256	364,243
Expenses		
Capital outlay	2,046	8,186
Electricity	149,458	148,503
Other utility costs	12,536	13,936
Labor and contractual	37,290	39,463
Operating supplies and chemicals	16,224	16,265
Equipment rental	1,608	1,860
Audit fees	4,740	4,625
Depreciation	118,906	117,797
Total expenses	342,808	350,635
Change in Net Assets	\$ 14,448	\$ 13,608

The Partnership's total revenue decreased by approximately \$7,000 in the current year due to a decrease in raw water billings.

Current year expenses decreased from the prior year by approximately \$8,000 primarily due to decreases in capital outlay.

Budgetary Highlights

Over the course of the year, the Partnership amended the budget to adjust for decreased labor costs.

Monroe Raw Water Intake Partnership

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The Partnership does not have any debt and does not plan to issue any debt in the near future. During the fiscal year, the Partnership made capital improvements related to the installation of a new chemical feed line in Lake Erie. Additional pumps for use by the City of Monroe are planned for purchase in future fiscal years.

Economic Factors and Next Year's Budgets and Rates

The costs of Monroe Raw Water Intake Partnership are reimbursed by either the City of Monroe or Frenchtown Township. For that reason, there aren't any significant economic factors that affect the Partnership. The operating budget for the Partnership for fiscal year 2009 was adopted in the amount of \$372,203, a 2.1 percent increase over the prior year.

Contacting the Partnership's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Partnership's finances and to show the Partnership's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of Monroe Finance Department at (734) 384-9180.

Monroe Raw Water Intake Partnership

Statement of Net Assets June 30, 2008

Assets

Current assets:

Cash and cash equivalents (Note 2)	\$ 366,499
Accrued interest	871
Accounts receivable - City and Township	<u>159,248</u>

Total current assets 526,618

Capital assets - Net (Note 3) 5,053,206

Total assets 5,579,824

Liabilities - Current - Accounts payable 22,704

Net Assets

Invested in capital assets	5,053,206
Unrestricted	<u>503,914</u>

Total net assets \$ 5,557,120

Monroe Raw Water Intake Partnership

Statement of Change in Net Assets Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Raw water billings:			
City of Monroe	\$ 269,394	\$ 265,386	\$ (4,008)
Frenchtown Township	81,146	77,421	(3,725)
Investment income	14,000	14,449	449
Total operating revenue	364,540	357,256	(7,284)
Operating Expenses			
Capital outlay	15,450	2,046	13,404
Electricity	140,564	149,458	(8,894)
Other utility costs	13,111	12,536	575
Labor and contractual	36,061	37,290	(1,229)
Operating supplies and chemicals	20,959	16,224	4,735
Equipment rental	1,858	1,608	250
Audit fees	4,740	4,740	-
Depreciation	117,797	118,906	(1,109)
Total operating expenses	350,540	342,808	7,732
Change in Net Assets	14,000	14,448	448
Net Assets - July 1, 2007	5,537,064	5,542,672	5,608
Net Assets - June 30, 2008	<u>\$ 5,551,064</u>	<u>\$ 5,557,120</u>	<u>\$ 6,056</u>

Monroe Raw Water Intake Partnership

Statement of Cash Flows Year Ended June 30, 2008

Cash Flows from Operating Activities

Cash received from customers	\$ 233,515
Cash paid to suppliers	(218,706)
Payments to employees	(37,290)
Other receipts/payments	<u>12,403</u>

Net cash used in operating activities (10,078)

Cash Flows from Investing Activities - Cash from sale of investments

113,000

Cash Flows from Capital and Related Financing Activities - Purchase of capital assets

(13,226)

Net Increase in Cash and Cash Equivalents

89,696

Cash and Cash Equivalents - Beginning of year

276,803

Cash and Cash Equivalents - End of year

\$ 366,499

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 14,448
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation expense	118,906
Changes in assets and liabilities:	
Due from other governmental units	(109,292)
Accounts payable	<u>(34,140)</u>

Net cash used in operating activities \$ (10,078)

Monroe Raw Water Intake Partnership

Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies

Monroe Raw Water Intake Partnership (the "Partnership") is a partnership between the City of Monroe and Frenchtown Township to provide the raw water intake and treatment that will be transmitted to the ultimate water customers by the two communities. The Partnership was constructed directly by the two communities. The Partnership is operated by the City of Monroe (the "City").

The accounting policies of the Partnership conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Basis of Accounting

The accrual basis of accounting is used by the Partnership.

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Fixed Assets - All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary funds on a straight-line basis.

Inventories - Inventories are not significant and therefore have been expensed when purchased.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Partnership has elected to comply with the City's investment policy.

Monroe Raw Water Intake Partnership

Notes to Financial Statements June 30, 2008

Note 2 - Deposits and Investments (Continued)

The Partnership's cash and investments are subject to the following type of risk:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Partnership's deposits may not be returned to it. The Partnership does not have a deposit policy for custodial credit risk. The Partnership's deposits are held at the same institutions as the City's deposits and they are commingled; therefore, the amount covered by federal depository insurance is undeterminable. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Capital Assets

A summary of the Partnership's fixed assets is as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets being depreciated:				
Water mains	\$ 3,410,061	\$ 13,226	\$ -	\$ 3,423,287
Buildings, additions, and improvements	<u>3,094,344</u>	<u>-</u>	<u>-</u>	<u>3,094,344</u>
Total capital assets being depreciated	6,504,405	13,226	-	6,517,631
Accumulated depreciation:				
Water mains	663,980	57,154	-	721,134
Buildings, additions, and improvements	<u>681,539</u>	<u>61,752</u>	<u>-</u>	<u>743,291</u>
Total accumulated depreciation	<u>1,345,519</u>	<u>118,906</u>	<u>-</u>	<u>1,464,425</u>
Net capital assets	<u>\$ 5,158,886</u>	<u>\$ (105,680)</u>	<u>\$ -</u>	<u>\$ 5,053,206</u>

Note 4 - Risk Management

The Partnership is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Partnership participates in the City's risk management program for workers' compensation, which is accounted for in the City's Internal Service Fund. The Partnership participates, in conjunction with the City, in the Michigan Municipal League Risk Pool for claims related to general liability.

Monroe Raw Water Intake Partnership

**Notes to Financial Statements
June 30, 2008**

Note 5 - Budget

The State's Budget Act does not require a formal budget to be adopted for Enterprise Funds. However, because of the contractual agreement between the two communities, an annual budget is adopted and is included in these financial statements for management control purposes.